
MEMORANDUM

To: Housing and Community Development Committee
From: Judy Daniel, Director, Planning and Development
Date: January 28, 2009
Subject: Grove Arcade Corner Market CDBG Loan

Background:

A CDBG loan was made to the Grove Corner Market, one of the original anchor businesses in the Grove Arcade in 2006. Originally they had a bank loan with a CDBG guarantee under a program run through the Grove Arcade Public Market Foundation starting in 2001. The owners had difficulties with the bank loan, and rather than let the business fail the \$75,000 balance of the loan was taken on with a CDBG loan in 2005-06, as a 0% interest loan for 10 years. Under this agreement they make principal-only payments of \$625 a month. Currently they are 11 months overdue on the principal payments, currently a \$6,875 balance. This business continues to struggle on the edge of profitability, particularly in the winter months, and has struggled with its loan payments and rent due to the soft retail situation.

The objective of the CDBG funding was providing jobs - which the Market continues to provide; and the successful redevelopment of the Grove Arcade - which was a important part of downtown revitalization and an important anchor for the west end of downtown. We have little leverage other than persuasion, as there is very little collateral and our only leverage is to threaten to issue a notice of default which would destabilize their remaining bank loan and potentially close them down, resulting a loss of jobs and this downtown business.

Action Options:

1. Proceed foreclosure on the loan

Pros/Cons: This would resolve the situation, but since there is no significant collateral this would mainly result in further fiscal pressure on, or loss of this business without recovery of the loan funds.

2. Continue to monitor the loan, but begin to impose late fees, and ask for a repayment plan.

Pros/Cons: This would allow the business to continue in operation while hopefully improving their fiscal position over time allowing gradual catch-up and eventual repayment of the loan.

Recommendation:

In the light of current economic conditions and the importance of this commercial enterprise to the Grove Arcade and downtown, direct staff to send a new reminder, begin to impose the late fee allowed for in the loan agreement, and ask them to respond with a plan to bring the loan up to date. Update the Committee quarterly on the status of the loan.

C: Ben Durant, Chief Financial Officer